



Closing Day/Sign Documents at Attorney's Office - On closing day, all the documents regarding the loan and settlement activities will be executed (signed) by the appropriate parties and notarized if necessary.

Often the real estate agents are present at closing. Barring an emergency, I will accompany you to closing just in case I can help provide information or help with any last-minute glitches. The Attorney will explain the documents and answer any questions you may have. Be prepared to sign many, many documents—the *avalanche* of paper! Among the documents you sign are those required by your lender, and many relate to your mortgage, taxes, and the different aspects of the property itself. Following is a list and brief explanation of **SOME** of the documents you will encounter and/or sign:

Settlement Statement
(HUD-1) -

This is a very important part of your settlement documents which shows your loan, closing costs, fees, etc. Your attorney will prepare this statement and explain all the numbers to you. We should receive a preliminary HUD statement for review before closing.

Deed / Deed of Trust -

Deed: the legal instrument through which the Seller conveys the real estate to you. Be sure you understand types of ownership and let the deed preparer know how you want to take ownership. One type of ownership used by married people is “Tenants by the entirety” in which the property automatically passes to the surviving spouse at the death of the other.

Deed of Trust: At the time the Seller conveys the property to you (the Buyer), you simultaneously convey the property (in trust) to trustees selected by the lender through the deed of trust. Essentially, legal title is transferred through the deed of trust to these trustees who hold title to the property until one of two events occurs:

- 1) The loan is paid off in full. Then the trustees convey the property back to you.
- 2) The loan goes into default. The trustees can more easily foreclose on the property in case of default if the property belongs to them “in trust”.

The deed of trust may contain a “due on sale” clause indicating that the loan becomes due and payable if you sell or transfer the property to another party. The deed of trust should contain a clause disclosing whether or not there is a pre-payment penalty in case you sell the property or refinance the loan.

- Typed loan application - You probably provided a hand-written loan application to your lender. However, that application will be typed and you will be asked to sign it at closing.
- Truth-in-Lending Statement - Discloses the true cost of your loan. Ask your lender for this prior to closing.
- Name Affidavit - This document addresses variations of your name. For instance, Mrs. Jane Doe may be asked to sign that Jane Doe is the same as Jane Reynolds (maiden name), Jane R.Doe, Jane Elizabeth Reynolds Doe, J. Elizabeth Doe, Betty R. Doe, etc., etc.
- Escrow Analysis - Your mortgage payment will probably include four items: Principal, interest, taxes, and insurance (PITI). A portion of the funds collected from you at closing will be used to start an escrow fund for taxes and insurance. Then a portion of each mortgage payment will go into the escrow fund, which is managed by your lender. When taxes and home owner’s insurance are due, the funds will be paid from your escrow account. Escrow accounts are regulated by federal banking laws. Since insurance rates and taxes vary from time to time, you may sometimes be billed for additional funds to bring the escrow account up to the appropriate level. Conversely, (best case scenario!) you may receive a check from the escrow account because the law limits the amount that can be held in your account. At closing your attorney will discuss the escrow process.
- Notice of Assignment of Loans - Sometimes mortgage companies sell loans to other institutions. Even if your loan is transferred to another company, the terms of your loan will remain the same. Under Federal law, lenders are required to disclose to borrowers the approximate percentage of loans that the lender sells to other lenders during the course of one year. During a four-year term of ownership of one of my personal homes, I made payments to three different institutions!
- Flood Hazard Insurance - You may be asked to sign a statement regarding flood hazard

insurance.

Mortgage/promissory note - Discloses the terms of the loan including amount you agree to repay, interest rate, length of time for repayment.

Copies of inspections - You may receive copies of well, septic, and termite inspections beforehand, but at closing you will be asked to sign an acknowledgment that you have received copies of those tests.

This settlement procedure will take approximately one hour. We hope the information we have provided will make settlement a little less intimidating. Remember—everyone has to go through it and at the end, you are a homeowner!

Your attorney will let you know in advance how much money you need to bring to closing. The funds should be in the form of a certified/cashiers check.

POSSESSION - You probably will not receive the keys to your new home until the closing attorney has filed the necessary documents at the courthouse.



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